

## **Highlights of the Three Years Ended August 31**

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	<b>1989</b>	<b>1988</b>	<b>1987</b>
Net Sales .....	\$83,932,000	\$80,005,000	\$70,879,000
Net Income .....	\$15,755,000	\$15,548,000	\$11,010,000
Earnings Per Share .....	\$2.08	\$2.06	\$1.46
Dividends Per Share .....	\$1.90	\$1.63	\$1.47
Average Number of Shares Outstanding .....	7,552,114	7,527,507	7,516,652
Shares Outstanding .....	7,554,008	7,544,368	7,522,868
Number of Shareholders .....	2,640	2,883	2,796
Number of Employees .....	133	79	61

### **Highlights of Fiscal 1989:**

- Current Ratio: 6.1 to 1
  - Debt: None
  - Net Sales per Employee: \$631,000
  - Receivables to Net Sales: 17.2%
  - Inventories to Net Sales: 3.7%
  - Net Income to Average Net Worth: 42.4%
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## **Letter to the Shareholders**

October 12, 1989

To Our Shareholders:

I am delighted to report that, once again, your Company had a record year for both sales and net income. Sales hit \$83,932,000, up 4.9% from the previous year. Net income was \$15,755,000, a gain of \$207,000 over fiscal 1988. Considering that \$570,000 of net income in 1988 resulted from a reimbursement by the California Insurance Guarantee Association for a payment made by the Company in fiscal 1987 to settle a legal matter for an insolvent insurance company, the operational income gain for fiscal 1989 over fiscal 1988 was actually \$777,000, or 5%.

Earnings per share were \$2.08 compared to last year's \$2.06. Again, if consideration is given to the insurance refund, last year's operational earnings were \$1.99 per share.

On a consolidated basis, fluctuations of foreign currencies against the U.S. dollar had a negligible impact on sales and earnings of the Company.

Cash dividends for the year amounted to \$1.90, up 16.6% from last year. This included an extra dividend of \$.30 paid in the third quarter.

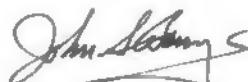
The transition from a commissioned to a direct sales force in the United States has been accomplished. Sales in the spring were soft as a result of missed promotions due to thin sales coverage of accounts during the new sales force build-up. Strong fourth quarter sales reinforced our conviction of the wisdom of the move. Export business expanded and added to the parent corporation's results.

Our English subsidiary had a disappointing year that fell well short of our original expectations. There were several reasons. First, all of Europe had one of the warmest and driest winters in several decades. This stunted the demand for all automotive products including WD-40. We still have the challenge of expanding the narrow perception of WD-40 being just an automotive product. Another negative factor was the high commercial borrowing rate which resulted in inventory reductions at the trade level. This took place throughout Europe. The last factor was, that by hind sight, our spring promotion program in England was a bit off the mark and not too swiftly executed. Sales to the Middle East were on plan. The lack-luster results of this subsidiary were further diminished when converting to U.S. dollars due to the strengthening of the U.S. dollar against the British pound.

Both the Canadian and Australian subsidiaries delivered better than planned sales and earnings increases which were magnified through favorable currency fluctuations. Our Australian teammates are also generating sales for the parent company, on a commission basis, in South East Asia and this activity is expanding nicely.

Solid marketing plans have been formulated for all of our business units and we look forward to setting new sales and income records in 1990.

Sincerely,



John S. Barry  
President

### Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-users' brand loyalty for your Company's only product, WD-40. The Company would consider adding another product if it is determined that the Company can make a decisive contribution to that product's growth in the area of marketing-distribution. The product would, of course, have to have an attractive profit potential.

### The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the world. The well-established growth pattern of the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view, it has little dependency on any one or even any group of end-users.

### Markets

Because of the wide range of uses of WD-40 by diverse groups of end-users there are a multitude of markets for the product that must be accessed by many trade channels, including automotive, hardware, drug, grocery, industrial and farm. WD-40 is a horizontal product cutting across numerous trade channels. This same pattern holds true in foreign markets.

While domestic sales currently account for approximately three quarters of total sales, foreign sales are expected to capture a larger share of the total because of their less developed markets.

### Competition

Over the years the high visibility of our success in the United States has spawned envy and lured literally hundreds of imitators into the marketplace. WD-40's strong brand loyalty with the end-user has resulted in our withstanding these attempted intrusions even when launched by billion-dollar companies.

In the retail arena the true competition is every product that is competing for shelf space be it anti-freeze, light bulbs or razor blades. To survive and grow our promotional programs must be attractive enough to the trade to win retail display space to capitalize on the impulse nature of WD-40.

### Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on the critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are order handling, credit, WD-40 concentrate formulation, and quality control.

WD-40 concentrate for North America is formulated in San Diego and shipped by railcar or tank wagon to contract packagers in Los Angeles, Texas, Georgia, Massachusetts, Wisconsin, and Toronto, Canada. These independent subcontractors package WD-40 to rigid specifications and, upon order from your Company, ship ready-to-sell WD-40 to our customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

The San Diego facility also oversees providing distributors and licensees in Mexico, the Caribbean, Central America, South America and the Pacific Basin with finished product or concentrate.

Europe, the Middle East and Africa are served from our European headquarters located in Milton Keynes, England. WD-40 concentrate is formulated there and converted to ready-to-sell WD-40 by three English contract packagers. The language and labeling standards of each of the many countries served by this operation have resulted in the production of over a dozen different WD-40 labels.

Our Australian subsidiary, which became operational January 1, 1988, is responsible for marketing WD-40 in Australia, New Zealand, Southeast Asia and the Far East. Billings for sales outside of Australia are made by the parent company.

## **Report of Independent Accountants**

**Price Waterhouse**



October 9, 1989

To the Board of Directors and Shareholders  
of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1989, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*Price Waterhouse*

San Diego, California

## **WD-40 Company Consolidated Statement of Income**

	Year ended August 31		
	1989	1988	1987
Net sales .....	\$83,932,000	\$80,005,000	\$70,879,000
Interest and other income .....	2,084,000	1,235,000	988,000
	<u>86,016,000</u>	<u>81,240,000</u>	<u>71,867,000</u>
Cost and expenses:			
Cost of product sold .....	36,347,000	33,931,000	30,185,000
Selling, general and administrative .....	15,985,000	14,096,000	13,645,000
Advertising and sales promotion .....	7,759,000	7,795,000	7,364,000
	<u>60,091,000</u>	<u>55,822,000</u>	<u>51,194,000</u>
Income before income taxes .....	<u>25,925,000</u>	<u>25,418,000</u>	<u>20,673,000</u>
Provision for income taxes:			
Federal .....	6,370,000	6,430,000	7,252,000
State .....	1,600,000	1,400,000	1,286,000
Foreign .....	2,200,000	2,040,000	1,125,000
	<u>10,170,000</u>	<u>9,870,000</u>	<u>9,663,000</u>
Net income .....	<u>\$15,755,000</u>	<u>\$15,548,000</u>	<u>\$11,010,000</u>
Earnings per share .....	\$2.08	\$2.06	\$1.46
Average number of shares outstanding .....	<u>7,552,114</u>	<u>7,527,507</u>	<u>7,516,652</u>

See accompanying notes to consolidated financial statements.

**WD-40 Company Consolidated Balance Sheet**

	August 31	
	1989	1988
<b>Assets</b>		
Current assets:		
Cash, including cash equivalents of \$18,581,000 and \$17,923,000 .....	\$22,403,000	\$21,641,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$448,000 and \$458,000 .....	14,408,000	14,281,000
Inventories:		
Finished goods .....	2,707,000	3,353,000
Raw materials .....	403,000	217,000
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Prepaid expenses .....	3,110,000	3,570,000
Total current assets .....	1,178,000	1,159,000
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Property, plant and equipment at cost:		
Land .....	254,000	254,000
Buildings and improvements .....	2,697,000	1,395,000
Machinery and equipment .....	1,528,000	1,846,000
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Less accumulated depreciation .....	4,479,000	3,495,000
	<hr/>	<hr/>
(1,470,000)	(1,235,000)	
Other assets .....	3,009,000	2,260,000
	<hr/>	<hr/>
	532,000	401,000
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	<b>\$44,640,000</b>	<b>\$43,312,000</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable .....	\$ 2,324,000	\$ 2,450,000
Accrued payroll and related expenses .....	2,003,000	1,506,000
Income taxes payable .....	2,363,000	2,652,000
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Total current liabilities .....	6,690,000	6,608,000
	<hr/>	<hr/>
Deferred income taxes .....	129,000	214,000
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Commitments and contingencies (Note 5)		
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized –		
shares issued and outstanding of 7,554,008 and 7,544,368 .....	2,584,000	2,390,000
Paid-in capital .....	121,000	121,000
Retained earnings .....	35,508,000	34,104,000
Cumulative foreign currency translation adjustment .....	(392,000)	(125,000)
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Total shareholders' equity .....	37,821,000	36,490,000
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	<b>\$44,640,000</b>	<b>\$43,312,000</b>

See accompanying notes to consolidated financial statements.

**WD-40 Company Consolidated Statement of Shareholders' Equity**

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Cumulative Translation Adjustment
Balance at August 31, 1986	7,504,051	\$1,750,000	\$121,000	\$30,869,000	(\$269,000)
Issuance of common stock, net of 11,835 shares exchanged in stock option exercise .....	18,817	207,000		(11,053,000)	
Cash dividends .....					
Change in cumulative translation adjustment .....					142,000
Net income .....				11,010,000	
Balance at August 31, 1987	7,522,868	1,957,000	121,000	30,826,000	(127,000)
Issuance of common stock .....	21,500	433,000		(12,270,000)	
Cash dividends .....					
Change in cumulative translation adjustment .....					2,000
Net income .....				15,548,000	
Balance at August 31, 1988	7,544,368	2,390,000	121,000	34,104,000	(125,000)
Issuance of common stock .....	9,640	194,000		(14,351,000)	
Cash dividends .....					
Change in cumulative translation adjustment .....					(267,000)
Net income .....				15,755,000	
Balance at August 31, 1989	7,554,008	\$2,584,000	\$121,000	\$35,508,000	(\$392,000)

See accompanying notes to consolidated financial statements.

**WD-40 Company Consolidated Statement of Cash Flows**

	Year ended August 31		
	1989	1988	1987
<b>Cash flows from operating activities:</b>			
Net income .....	\$15,755,000	\$15,548,000	\$11,010,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation .....	449,000	198,000	244,000
Loss on sale of equipment .....	(20,000)		
(Increase) decrease in accounts receivable .....	(305,000)	36,000	(979,000)
Decrease (increase) in inventories .....	379,000	(699,000)	(386,000)
(Increase) decrease in prepaid expenses .....	(44,000)	132,000	125,000
(Increase) in other assets .....	(81,000)	(130,000)	(114,000)
Increase (decrease) in accounts payable and accrued expenses .....	617,000	(775,000)	1,083,000
(Decrease) increase in income taxes payable .....	(205,000)	1,394,000	(898,000)
(Decrease) increase in long-term deferred income taxes .....	(76,000)	2,000	49,000
Net cash provided by operating activities .....	<u>16,469,000</u>	<u>15,706,000</u>	<u>10,134,000</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of equipment .....	28,000	65,000	82,000
Capital expenditures .....	(1,388,000)	(371,000)	(363,000)
Net cash used in investing activities .....	<u>(1,360,000)</u>	<u>(306,000)</u>	<u>(281,000)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock .....	194,000	433,000	207,000
Dividends paid .....	(14,351,000)	(12,270,000)	(11,053,000)
Net cash used by financing activities .....	<u>(14,157,000)</u>	<u>(11,837,000)</u>	<u>(10,846,000)</u>
Effect of exchange rate changes on cash .....	(190,000)	36,000	213,000
Increase (decrease) in cash and cash equivalents .....	762,000	3,599,000	(780,000)
Cash and cash equivalents at beginning of year .....	21,641,000	18,042,000	18,822,000
Cash and cash equivalents at end of year .....	<u>\$22,403,000</u>	<u>\$21,641,000</u>	<u>\$18,042,000</u>

See accompanying notes to consolidated financial statements.

**Note 1 — Summary of Accounting Policies:**

*Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, WD-40 Products (Canada) Ltd., WD-40 Company Ltd. (U.K.) and WD-40 Company (Australia) Pty. Ltd. All significant intercompany transactions and balances have been eliminated.

*Inventories*

Inventories are stated at the lower of average cost or market.

*Depreciation*

Depreciation of plant and equipment has been computed using straight-line and accelerated methods, based upon estimated useful lives of thirty to forty years for the plant and three to fifteen years for machinery and equipment.

*Foreign Currency Translation*

The accounts of the Company's foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Cumulative translation gains or losses are recorded as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's local currency) are included in the consolidated statement of income and are not material.

*Earnings Per Share*

Earnings per share are based upon the weighted average number of shares outstanding during each year increased by the effect of dilutive stock options, when the dilutive effect is in excess of 3 percent of earnings per share, using the treasury stock method.

*Income Taxes*

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from differences in the financial reporting and tax bases of assets and liabilities. Deferred income tax expense is the net change during the year in the deferred income tax liability or asset. The Company's provision for income taxes is accounted for in accordance with Statement of Financial Accounting Standards No. 96 (SFAS 96) in fiscal 1989 and 1988 and in accordance with Accounting Principles Board Opinion No. 11 in fiscal 1987 (Note 3).

*Cash and Cash Equivalents*

Cash equivalents are highly liquid investments purchased with a remaining maturity of three months or less.

*Reclassification*

Certain prior year amounts in the Consolidated Statement of Cash Flows have been reclassified to conform to the 1989 financial statement presentation.

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## **Note 2 — Business Segment and Foreign Operations:**

The Company operates in one business segment – the manufacture and sale of a multi-purpose lubricant through chain stores, automotive parts outlets and industrial distributors and suppliers.

Information regarding the Company's operations is summarized below. WD-40 Company (U.S.) includes all domestic sales, as well as sales to South America and the Pacific Basin, except for Australia and New Zealand. WD-40 Company Ltd. (U.K.) includes sales to Europe, the Middle East and Africa. WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. are included in other foreign subsidiaries. Substantially all sales by these operations are to customers within Canada and Australia and New Zealand.

	Year ended August 31		
	1989	1988	1987
<b>Net sales:</b>			
WD-40 Company (U.S.) .....	\$62,870,000	\$60,228,000	\$56,346,000
WD-40 Company Ltd. (U.K.) .....	12,490,000	13,534,000	9,697,000
Other foreign subsidiaries .....	9,828,000	7,671,000	5,089,000
Eliminations .....	<u>(1,256,000)</u>	<u>(1,428,000)</u>	<u>(253,000)</u>
	<u><u>\$83,932,000</u></u>	<u><u>\$80,005,000</u></u>	<u><u>\$70,879,000</u></u>
<b>Operating profit:</b>			
WD-40 Company (U.S.) .....	\$18,408,000	\$18,728,000	\$15,792,000
WD-40 Company Ltd. (U.K.) .....	3,203,000	4,062,000	2,972,000
Other foreign subsidiaries .....	2,230,000	1,393,000	922,000
Interest and other income .....	2,084,000	1,235,000	987,000
Income before income taxes .....	<u><u>\$25,925,000</u></u>	<u><u>\$25,418,000</u></u>	<u><u>\$20,673,000</u></u>
<b>Identifiable assets:</b>			
WD-40 Company (U.S.) .....	\$33,925,000	\$32,190,000	\$30,913,000
WD-40 Company Ltd. (U.K.) .....	6,670,000	7,896,000	6,439,000
Other foreign subsidiaries .....	4,045,000	3,226,000	1,797,000
	<u><u>\$44,640,000</u></u>	<u><u>\$43,312,000</u></u>	<u><u>\$39,149,000</u></u>

**Note 3 — Income Taxes:**

During 1988 the Company adopted Financial Accounting Standards Board Statement No. 96, "Accounting for Income Taxes." The Company's adoption of SFAS 96 did not have a material effect on results of operations or financial position.

The provision for income taxes includes the following:

	Year ended August 31		
	1989	1988	1987
Current tax provision:			
United States .....	\$ 6,317,000	\$ 6,552,000	\$ 7,159,000
Foreign .....	2,285,000	1,929,000	1,166,000
State .....	1,600,000	1,415,000	1,286,000
Total current .....	<u>10,202,000</u>	<u>9,896,000</u>	<u>9,611,000</u>
Deferred tax provision (benefit):			
United States .....	53,000	(122,000)	93,000
Foreign .....	(85,000)	111,000	(41,000)
State .....		(15,000)	
Total deferred .....	<u>(32,000)</u>	<u>(26,000)</u>	<u>52,000</u>
Total provision for income taxes .....	<u>\$10,170,000</u>	<u>\$ 9,870,000</u>	<u>\$ 9,663,000</u>

The major temporary differences that gave rise to deferred taxes are the state tax provision, the allowance for cash discounts and doubtful accounts and depreciation. The deferred tax assets and liabilities are reflected in the consolidated balance sheet as follows.

	Year ended August 31		
	1989	1988	1987
Current assets .....	\$ 607,000	\$ 660,000	\$ 645,000
Non-current liabilities .....	(129,000)	(214,000)	(225,000)
	<u>\$ 478,000</u>	<u>\$ 446,000</u>	<u>\$ 420,000</u>

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

	Year ended August 31		
	1989	1988	1987
Amount computed at U.S. statutory federal rate .....	\$ 8,815,000	\$ 8,558,000	\$ 9,075,000
State income taxes, net of federal benefit .....	1,056,000	929,000	721,000
Net effect of foreign income tax effective rates higher (lower) than U.S. statutory federal rate .....	299,000	353,000	(133,000)
Other .....	30,000		
	<u>\$10,170,000</u>	<u>\$ 9,870,000</u>	<u>\$ 9,663,000</u>

Income taxes paid in 1989, 1988 and 1987 amounted to \$10,114,000, \$8,561,000 and \$10,602,000, respectively.

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**Note 4 — Stock Options:**

The Company has an Incentive Stock Option Plan whereby the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 240,000 shares of the Company's common stock at a price not less than 100 percent of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of ten years.

At August 31, 1989, options for 77,191 shares were exercisable and 43,402 shares were available for future grants.

A summary of the changes in options outstanding under the Plan during the three years ended August 31, 1989 is as follows:

	Number of shares	Option price per share
Outstanding at August 31, 1986 .....	93,400	\$10.83-\$21.38
Options granted .....	29,478	\$29.50
Options exercised .....	(30,652)	\$10.83-\$21.38
Options canceled .....	(4,695)	\$19.50-\$21.38
Outstanding at August 31, 1987 .....	87,531	\$19.50-\$29.50
Options granted .....	31,200	\$34.25
Options exercised .....	(21,500)	\$19.50-\$21.38
Options canceled .....	(10,400)	\$19.50-\$34.25
Outstanding at August 31, 1988 .....	86,831	\$19.50-\$34.25
Options granted .....	33,400	\$30.68
Options exercised .....	(9,640)	\$19.50-\$21.38
Options canceled .....	(1,700)	\$30.68
Outstanding at August 31, 1989 .....	<u>108,891</u>	<u>\$19.50-\$34.25</u>

During the year ended August 31, 1987, 11,835 shares were exchanged at fair market value in lieu of cash in the exercise of stock options pursuant to provisions of the Plan.

On December 8, 1986, the Board of Directors granted 1,722 non-qualified options (not granted under the Incentive Stock Option Plan) to two officers of the Company at an option price equal to the market price at the date of issuance of \$29.50 per share.

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#### **Note 5 — Commitments and Contingencies:**

On February 17, 1989 an action was brought against the Company by eight former manufacturers' representatives and their respective affiliated corporations. The plaintiffs seek damages in the maximum stated amount of \$4,500,000 for each of the former representatives. The action arises out of the alleged wrongful termination of the plaintiffs' contracts when the Company replaced all of its United States manufacturers' representatives with an in-house sales force in November, 1988. Based upon the advice of counsel that the contracts were lawfully terminated, management is of the opinion that the matter is not likely to have a material adverse effect on the financial position of the Company.

The Company is party to various other claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or will not have a material adverse effect on the Company's financial position.

During the second quarter of the year ended August 31, 1987, the Company recorded a charge of \$950,000, included in selling, general and administrative expense, resulting from a legal settlement. This matter was covered by insurance, however, the insurance carrier was in receivership and was unable to pay. The Company subsequently received full reimbursement of this amount from the California Insurance Guarantee Association during the first and second quarters of the year ended August 31, 1988, which was credited to selling, general and administrative expense.

The Company was committed under certain noncancelable operating leases at August 31, 1989 which provide for the following minimum lease payments: 1990, \$86,000; 1991, \$89,000; 1992, \$52,000; 1993, \$53,000; 1994, \$5,000. Rent expense for the years ended August 31, 1989, 1988 and 1987 approximated \$118,000, \$33,000 and \$21,000, respectively.

#### **Note 6 — Employee Benefit Plans:**

The Company has a Profit Sharing Plan for the benefit of its regular full-time employees. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board of Directors, but which may not exceed the amount deductible for income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1989, 1988 and 1987 approximated \$511,000, \$388,000 and \$276,000, respectively.

The Company has a Salary Deferral Employee Stock Ownership Plan whereby regular full-time employees who have completed three years of service can defer a portion of their income through contributions to a trust. The Plan provides for Company contributions to the trust, as approved by the Board of Directors, equal to fifty percent or more of the compensation deferred by employees, but not in excess of the amount deductible for income tax purposes. Employee and Company contributions to the trust are invested in the Company's common stock. The Plan may be amended or discontinued at any time by the Company. Company contribution expense for 1989, 1988 and 1987 was approximately \$18,000, \$14,000 and \$16,000, respectively.

### **Quarterly Financial Information (Unaudited)**

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1989.

<u>Quarter ended:</u>	<u>Net Sales</u>	<u>Gross Profit</u>	<u>Net Income</u>	<u>Earnings Per Share</u>
November 30, 1987 .....	\$18,096,000	\$10,376,000	\$ 3,634,000	\$ .48
February 29, 1988 .....	21,258,000	12,324,000	4,131,000	.55
May 31, 1988 .....	20,058,000	11,435,000	3,641,000	.49
August 31, 1988 .....	20,593,000	11,939,000	4,142,000	.54
	\$80,005,000	\$46,074,000	\$15,548,000	\$2.06
November 30, 1988 .....	\$19,731,000	\$11,465,000	\$ 3,631,000	\$ .48
February 28, 1989 .....	21,329,000	12,410,000	3,880,000	.51
May 31, 1989 .....	19,291,000	10,717,000	3,005,000	.40
August 31, 1989 .....	23,581,000	12,993,000	5,239,000	.69
	\$83,932,000	\$47,585,000	\$15,755,000	\$2.08

### **Stock Information**

<u>Period:</u>	Fiscal 1989			Fiscal 1988		
	<u>High</u>	<u>Low</u>	<u>Dividend</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
First Quarter .....	\$33½	\$30	.40	\$36¾	\$23	\$.33
Second Quarter .....	32½	31	.40	29½	23	.35
Third Quarter .....	33½	31½	.70	32¾	26¾	.60
Fourth Quarter .....	33½	30½	.40	32	28¾	.35

The high and low sales prices are as quoted in the Wall Street Journal

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **Results of Operations**

The results of operations, as summarized in Note 2 to the consolidated financial statements are discussed below

##### **WD-40 Company (U.S.)**

Net sales increased \$2.6 million, or 4.4%, compared to 1988. This increase was due primarily to a strong performance during the fourth quarter by the Company's new direct sales force, which replaced commissioned sales representatives during November 1988. The sales increase for the year is comprised entirely of real growth in volume as there were no price increases during 1989.

Operating profit decreased 1.7% compared to 1988 due to the fact that the insurance recovery of \$950,000 received during 1988 is included as a reduction of selling, general and administrative expense in that year. Excluding this amount, operating profit increased approximately 3.5% over 1988.

Cost of product sold, as a percent of net sales, increased 1.3% during 1989 due principally to increases in the chemical and petroleum based ingredients as well as in the cost of aerosol packaging. Management intends to carefully monitor costs in this area during 1990.

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Sales and operating profit in 1988 increased 6.9% and 18.6%, respectively, compared with 1987. The operating profit increase was greater than the increase in sales chiefly as a result of the \$950,000 recovery from the California Insurance Guarantee Association which was a loss of an equal amount of the previous year resulting from the payment of a legal settlement for an insolvent insurance company.

#### *WD-40 Company Ltd. (U.K.)*

Net sales decreased \$1,044,000, or 7.7%, and operating profit decreased \$859,000, or 21.1%, compared to 1988. Factors that contributed to the decline in sales include:

1. A very mild European winter stunted the sales of all automotive products including WD-40.
2. Spring 1989 sales promotions fell far short of plans and expectations.
3. Accounts reduced their trade inventories in order to mitigate the impact of high interest and borrowing rates.

The weakening of the British pound against the U.S. dollar comprised slightly more than half the decline in sales and approximately 20% of the decrease in operating profit.

Although sales fell short of planned objectives, actual operating expenses approximated budgeted amounts thereby leading to the reduction in operating income. Sales to Europe and the Middle East showed a slight increase during 1989.

Management has evaluated the Company's strategy as it relates to the unification of the European markets in 1992 and believes it is well positioned to establish WD-40 as the "Brand Leader" in Europe.

Sales and operating profit in 1988 increased 39.5% and 36.6%, respectively, compared with 1987. The average exchange rate of the British pound versus the U.S. dollar for fiscal 1988 strengthened 14.7%, magnifying the increase.

#### *Other Foreign Subsidiaries*

Net sales increased \$2,157,000, or 28.1%, and operating profit increased \$837,000, or 60%, compared to 1988. Approximately 55% of the increase in sales was generated by WD-40 Company (Australia) Pty Ltd. as 1989 reflected twelve months of operations while 1988 reflected only eight months of operations. This subsidiary operated at a marginal loss during both 1989 and 1988. The remainder of the increase in sales, and all of the increase in operating profit, was generated by WD-40 Products (Canada) Ltd. Approximately half the increase in sales and operating profit was the result of price increases enacted at the beginning of 1989 while the other half of the increase resulted from improved sales volume, reduced costs and a slightly improved exchange rate.

Sales and operating income in 1988 rose 50.7% and 51.1%, respectively, compared with 1987. Canada experienced good sales and earnings growth and also benefited from a stronger currency against the U.S. dollar. In addition, our Australian subsidiary came on stream January 1, 1988.

#### *Interest and Other Income*

Interest and other income increased \$849,000, or 69%, compared to 1988. This increase can be attributed to greater amounts of cash invested during the year at higher interest rates.

#### **Liquidity and Capital Resources**

The Company has not experienced a significant change in liquidity since August 31, 1988. The current ratio of 6.1 to one at August 31, 1989 is consistent with the current ratio at August 31, 1988.

The Company's primary source of liquidity is funds provided by operations. The Company had no borrowings outstanding at August 31, 1989. The Company's cash flows from operations are expected to provide sufficient funds to meet both short and long-term operating needs, as well as future dividends. Capital expenditures for 1990 are expected to total approximately \$500,000, principally for replacement of aged vehicles and other equipment.

## Ten Year Summary (1)

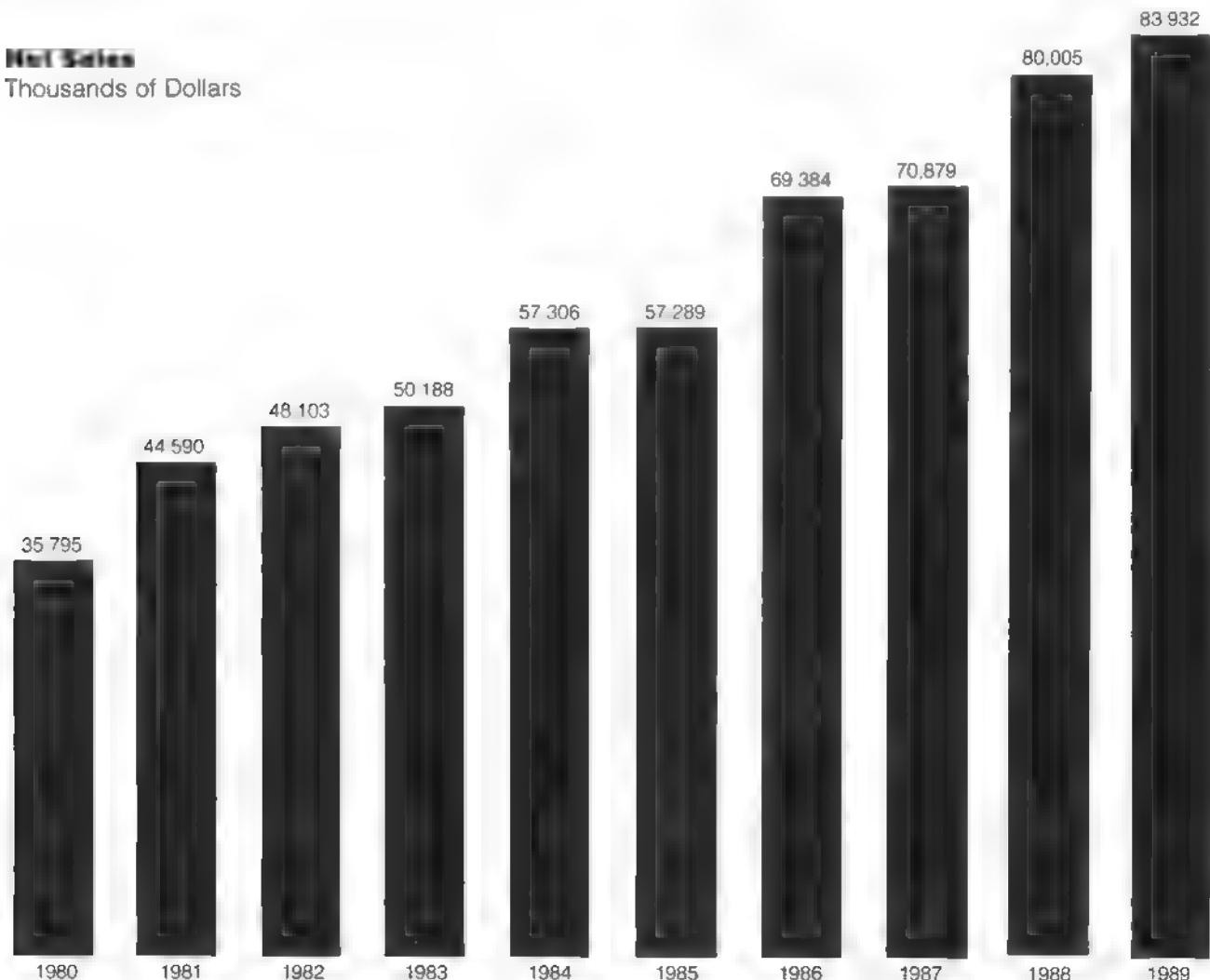
Fiscal Year Ended August 31

	1980	1981	1982
Net sales .....	\$35,795,000	\$44,590,000	\$48,103,000
Cost of products sold .....	16,106,000	19,715,000	20,467,000
Gross profit .....	19,689,000	24,875,000	27,636,000
Selling, advertising, general and administrative expenses	9,519,000	10,203,000	11,253,000
Interest, royalty and other income .....	942,000	1,212,000	1,712,000
Income before income taxes .....	11,112,000	15,884,000	18,095,000
Provision for income taxes .....	5,602,000	8,040,000	9,130,000
Net income .....	\$ 5,510,000	\$ 7,844,000	\$ 8,965,000
Earnings per share (2) .....	\$ .74	\$ 1.06	\$ 1.21
Average number of shares outstanding .....	7,434,270	7,434,270	7,434,834
Dividends per share (3) .....	\$ .52	\$ .60	\$ .68
Total assets .....	\$13,296,000	\$20,284,000	\$22,916,000
Number of employees .....	36	36	37

(1) Includes the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated. See Management's Discussion and Analysis of the Last Three Fiscal Years of Operations on page 13.

(2) Earnings per share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the three for one stock split in April 1983.

**Net Sales**  
Thousands of Dollars

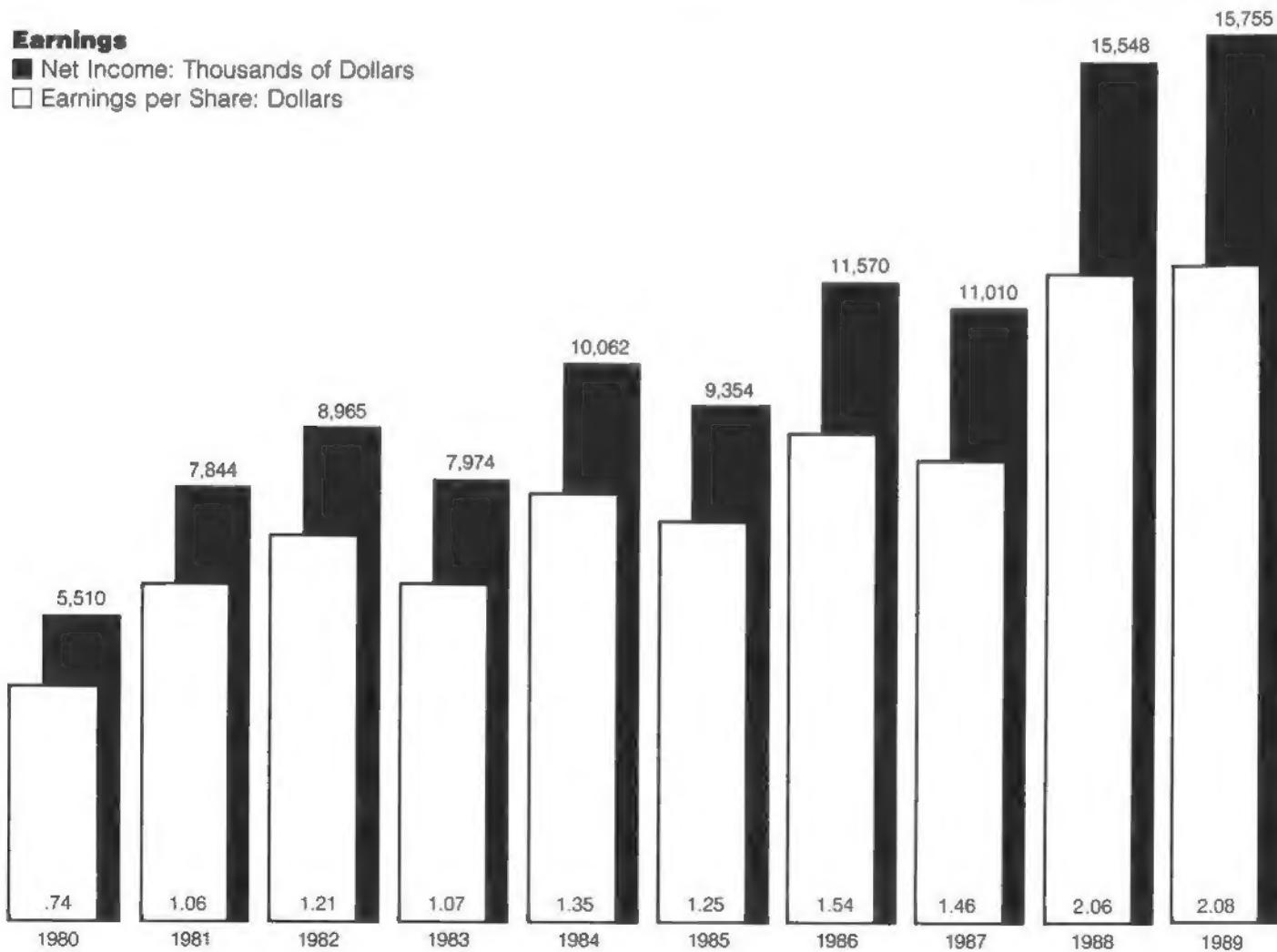


1983	1984	1985	1986	1987	1988	1989
\$50,188,000	\$57,306,000	\$57,289,000	\$69,384,000	\$70,879,000	\$80,005,000	\$83,932,000
21,781,000	24,060,000	24,403,000	29,370,000	30,185,000	33,931,000	36,347,000
28,407,000	33,246,000	32,886,000	40,014,000	40,694,000	46,074,000	47,585,000
13,647,000	14,318,000	15,053,000	18,620,000	21,009,000	21,891,000	23,744,000
1,333,000	1,515,000	1,505,000	1,259,000	988,000	1,235,000	2,084,000
16,093,000	20,443,000	19,338,000	22,653,000	20,673,000	25,418,000	25,925,000
8,119,000	10,381,000	9,984,000	11,083,000	9,663,000	9,870,000	10,170,000
\$ 7,974,000	\$10,062,000	\$ 9,354,000	\$11,570,000	\$11,010,000	\$15,548,000	\$15,755,000
\$1.07	\$1.35	\$1.25	\$1.54	\$1.46	\$2.06	\$2.08
7,453,598	7,476,546	7,498,024	7,503,679	7,516,652	7,527,507	7,552,114
\$ .75	\$ .84	\$ .90	\$1.04	\$1.47	\$1.63	\$1.90
\$24,698,000	\$30,290,000	\$32,871,000	\$38,506,000	\$39,149,000	\$43,312,000	\$44,640,000
38	39	49	56	61	79	133

(3) The cash dividends paid per share have been retroactively restated to give effect to the April 1983 stock split.

### Earnings

■ Net Income: Thousands of Dollars  
 □ Earnings per Share: Dollars



## **Corporate Information**

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### **Board of Directors**

John S. Barry	President, WD-40 Company
Sam Crivello	Investor
Eugene H. DeFalco	Investor
Daniel W. Derbes	Chairman Executive Committee Oak Industries, Inc.
Harlan F. Harmsen	Secretary, WD-40 Company; Attorney, Harmsen, Carpenter, Sidell & Olson, A Professional Corporation
Jack L. Heckel	President and Chief Operating Officer, Gen Corp.
Margaret L. Roulette	Investor
C. Fredrick Sehnert	President and Chief Executive Officer, Wavetek Corp.
Edward J. Walsh	President, The Sparta Group Ltd.

### **Officers**

John S. Barry	President
Gerald C. Schleif	Executive Vice President and Treasurer
Paul A. Thompson	Vice President-Sales
Harlan F. Harmsen	Secretary
Robert D. Gal	Assistant Secretary

### **General Counsel**

Harmsen, Carpenter, Sidell & Olson  
A Professional Corporation

### **Independent Accountants**

Price Waterhouse  
San Diego, California

### **Transfer Agent & Registrar**

Union Bank  
8155 Mercury Court  
San Diego, California 92112

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<b>Annual Meeting</b>	2:00 PM, December 1, 1989 Mission Room Mission Valley Inn 875 Hotel Circle South San Diego, California 92108
<b>Corporate Office</b>	1061 Cudahy Place San Diego, California 92110 619/275-1400
<b>Subsidiaries</b>	WD-40 Products (Canada) Ltd. WD-40 Company Ltd. (U.K.) WD-40 Company (Australia) Pty. Ltd.
<b>Listed</b>	Over the Counter NASDAQ National Market System Symbol WDFC

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**Copy of Form 10-K**

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1989 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, California 92110.



200 ml

150g NET

NET WEIGHT 6 OZ

NETO 170g

6 OZ 170 g